



Directors' Report

To the Members,

Your Directors take pleasure in presenting the 90th Annual Report on the business and operations of The Federal Bank Limited ("the Bank"), together with the audited accounts for the Financial Year (FY) ended March 31, 2021.

FINANCIAL RESULTS

Financial results are presented in the table below:

(₹ in crores)

| Financial Parameters for the year ended | March 31, 2021 | March 31, 2020 |
|---|-----------------|-----------------|
| Net Interest Income | 5,533.70 | 4,648.90 |
| Fee and Other Income | 1,944.91 | 1,931.41 |
| Net Revenue | 7,478.61 | 6,580.31 |
| Operating Expense | 3,691.71 | 3,375.61 |
| Operating Profit | 3,786.90 | 3,204.70 |
| Net Profit | 1,590.30 | 1,542.78 |
| Profit brought forward | 2,616.67 | 2,174.28 |
| Total Profit Available for appropriation | 4,206.97 | 3,717.07 |
| Appropriations: | | |
| Transfer to Revenue Reserves | 229.57 | 147.46 |
| Transfer to Statutory Reserves | 397.57 | 385.70 |
| Transfer to Capital Reserves | 153.45 | 135.83 |
| Transfer to Special Reserve | 120.99 | 96.00 |
| Dividend pertaining to previous year paid during the year | - | 278.22 |
| Tax on dividend | - | 57.19 |
| Balance Carried over to Balance Sheet | 3,305.39 | 2,616.67 |
| Financial Position (as on) | | |
| Deposits | 172,644.48 | 152,290.08 |
| Advances | 131,878.60 | 122,267.91 |
| Total Business (Deposits + Advances) | 304,523.08 | 274,557.99 |
| Other Borrowings | 9,068.50 | 10,372.43 |
| Investments | 37,186.21 | 35,892.68 |
| Total Assets (Balance Sheet Size) | 201,367.39 | 180,638.05 |
| Equity Capital | 399.23 | 398.53 |
| Ratios | | |
| Return on Total Assets (%) | 0.85 | 0.94 |
| Return on Equity (%) | 10.38 | 11.10 |
| Earnings Per Share (₹) | 7.97 | 7.76 |
| Book value per share (₹) | 80.77 | 72.86 |
| Operating cost to Income (%) | 49.36 | 51.30 |
| Capital Adequacy Ratio (%) Basel (III) | 14.62 | 14.35 |

Previous year figures have been regrouped / reclassified, where necessary to conform to current year's classification.

HIGHLIGHTS OF PERFORMANCE

During the year 2020-21, your Bank delivered steady performance amidst the disruptions caused by the pandemic. Total business of your Bank improved by 10.91% to reach ₹ 304523.08 Cr as on March 31, 2021. 13.37% growth in deposits and 7.86% growth in advances (net) helped your Bank to clock this number. Total deposits reached ₹ 172644.48 Cr and advances (net) reached ₹ 131878.60 Cr and on

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averages, deposit portfolio of your Bank grew by 13.31% to reach ₹ 156016.40 Cr and advance portfolio grew by 8.10% to reach ₹ 123337.38 Cr.

On the NR side, NRE deposits had a growth rate of 11.77% to reach ₹ 63958.84 Cr and NRE Savings clocked a growth of 18.61% to reach ₹ 18310.99 Cr. The total NR business of your Bank stood at ₹ 68083.20 Cr with a growth of 12.19%.

GROWTH IN BUSINESS

On CASA front, Savings deposit touched ₹ 47686.29 Cr with 21.66% growth and Current deposits stood at ₹ 10684.19 Cr. Your Bank registered a healthy CASA growth of 25.66% to reach ₹ 58370.48 Cr. CASA ratio of your Bank stood at 33.81%.

The investment portfolio of your Bank has reached ₹ 37186.21 Cr as on March 31, 2021. The average investment as on March 31, 2021 is ₹ 35731.82 Cr.

PROFITABILITY

The Operating Profit of your Bank increased by 18.17% to ₹ 3786.90 Cr and Net Profit of your Bank is up by 3.08% to ₹ 1590.30 Cr. Healthy traction in core business streams has helped your Bank to have a good momentum in core operating performance. Net Interest Income improved by 19.03% to ₹ 5533.70 Cr while the Non-Interest Income stood at ₹ 1944.91 Cr.

Total income of your Bank during the fiscal year 2021 recorded 3.70% growth to reach ₹ 15702.81 Cr. Income from advances increased by 1.16% to reach ₹ 10795.12 Cr. The yield on advances stood at 8.75% and the yield on Investments (excluding trading gain) at 6.57%. The Net Interest Margin for the fiscal year is at 3.16% as against 3.05%, in the previous year.

Return on Average Equity and Return on Average Total Assets stood at 10.38% and 0.85% respectively. Earnings per Share (face value of ₹ 2 each) of the Bank, as on March 31, 2021 were ₹ 7.97. Book value per share had increased to ₹ 80.77 during FY 21.

EXPENDITURE

The total expenses of your Bank reduced by 0.18%, to reach ₹ 11915.91 Cr and by a reduction of 3.94%, interest expenses reduced to ₹ 8224.20 Cr in FY 21. Operating Expenses of the Bank during the fiscal year grew to ₹ 3691.71 Cr.

The cost of deposits of the Bank reduced to 5.00% as on March 31, 2021. The Interest expenses as percentage to total income stood at 52.37%.

SPREAD

During the fiscal year, the Bank's spread on advances (gross) stood at 3.75% and spread on investments (gross) increased to 3.28%. The Spread (net of provisions) on advance stood at 2.52%.

ASSET QUALITY

The Gross NPA of your Bank as on March 31, 2021 stood at ₹ 4602.39 Cr. Gross NPA as a percentage to Gross Advances is 3.41%. The Net NPA stood at ₹ 1569.28 Cr and this as a percentage to Net Advances is 1.19%. The Provision Coverage Ratio (including technical write-offs) stood at 77.65%.

NET WORTH & CAPITAL ADEQUACY

The Net Worth of your Bank grew by 11.06% to ₹ 16123.61 Cr as against ₹ 14517.61 Cr in the previous year. Historically, your Bank has been strong on capital adequacy. CRAR of the Bank calculated in line with Basel III norms stood at 14.62% which is considerably higher than the RBI stipulation. Of this, Tier 1 CRAR is at 13.85%.

BUSINESS OVERVIEW

Your Bank continued its consistent performance during FY 2020-21 with the total business of the Bank increasing by 10.91% to ₹ 304523.08 Cr.

There is no change in the nature of business of the Bank for the year under review. Further information on the business overview and outlook and state of the affairs of the Bank is discussed in detail in the Management Discussion & Analysis Report.

EMPLOYEE PRODUCTIVITY

Business per employee of your Bank during the period stood at ₹ 24.28 Cr, an improvement of 9.32% for the year and the profit per employee of the Bank stood at ₹ 12.68 Lakh during the fiscal.

EXPANSION OF NETWORK

The Bank has 1272 branches, 1947 ATMs/Recyclers and 10 Mobile ATMs as on March 31, 2021. The Bank also has its Representative Office at Abu Dhabi & Dubai and an IFSC Banking Unit (IBU) in Gujarat International Finance Tec-City (GIFT City).

SHARE VALUE

Earnings per Share (face value ₹ 2 /- each) of your Bank have improved to ₹ 7.97 from ₹ 7.76 during the year under review. Return on Equity during the year reached 10.38% in the fiscal year ended March 31, 2021.





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APPROPRIATIONS

(₹ in Thousands)

| | FY 2020-21 | FY 2019-20 |
|---|-------------------|-------------------|
| Transfer to Revenue Reserve | 2,295,718 | 1,474,611 |
| Transfer to Statutory Reserve | 3,975,743 | 3,856,953 |
| Transfer to Capital Reserve | 1,534,458 | 1,358,289 |
| Transfer to Special Reserve | 1,209,900 | 960,000 |
| Dividend pertaining to previous year paid during the year | 0.00 | 2,782,229 |
| Tax on dividend | 0.00 | 571,895 |
| Balance carried over to Balance Sheet | 33,053,829 | 26,166,675 |
| TOTAL | 42,069,648 | 37,170,652 |

Material Changes and Commitments, if any, affecting the Financial Position of the Bank which have occurred between the end of the Financial Year of the Bank to which the financial statements relate and the date of the report

There are no material changes affecting the financial position of the Bank which have occurred between the end of the financial year of the Bank to which the financial statements relate and the date of the report.

CHANGE IN CAPITAL STRUCTURE AND LISTING OF SHARES

The subscribed and paid up share capital of the Bank as on March 31, 2021 is ₹ 3,992,305,496/- divided into 1,996,152,748 equity shares of ₹ 2/- each. The Bank's equity shares are listed on the National Stock Exchange of India Limited (NSE) and BSE Limited (BSE). During the year, 34,88,176 equity shares of ₹ 2/- each were allotted under Employee Stock Option scheme (ESOP) of the Bank and admitted for trading in NSE and BSE.

As on March 31, 2021, Bank has an outstanding of 3,000 units rated, unsecured, redeemable, non-convertible, Basel III compliant lower tier II subordinated bonds aggregating to ₹ 300 crore.

Important changes which have occurred after the close of Financial Year

After the close of Financial Year, 1,30,990 equity shares of ₹ 2/- each were allotted under ESOP scheme of the Bank and have been admitted for trading on NSE and BSE. Accordingly, the paid up share capital of the Bank as on May 31, 2021 is ₹ 3,992,567,476 divided into ₹ 1,996,283,738 equity shares of ₹ 2/- each. The shares are actively traded on NSE and BSE and have not been suspended from trading.

DIVIDEND

Continuing the Bank's policy of striking a fine balance between retained earnings and dividend distribution, the Board of Directors have recommended a dividend of 35% i.e. ₹ 0.70 per Equity Share on face value of ₹ 2/- each for the year 2020-21 (previous year: Nil) subject to the approval of the members in the ensuing Annual General Meeting. Protecting shareholders' value has always been a guiding philosophy of the Bank.

CREDIT RATING

The details of Credit Ratings of your Bank as on March 31, 2021 are as follows;

- CRISIL A1+ (Reaffirmed) for the Certificate of Deposit Programme of the Bank
- CRISIL A1+ (Reaffirmed) for the Short Term Fixed Deposits of the Bank
- CARE AA (Stable) (Reaffirmed) [Double A, Outlook: Stable] for the Tier II bonds (Under Basel III)
- IND AA/Stable (Affirmed) by India Rating and Research for the Tier II bonds (Under Basel III)

During the year under review, there were no revisions in the credit ratings obtained by the Bank.

EMPLOYEE STOCK OPTION SCHEME (ESOS)

The Bank has instituted Employee Stock Option Schemes, duly approved by the shareholders of the Bank to enable its employees including Whole Time Directors to participate in the future growth and financial success of the Bank. The Employee Stock Option Schemes are formulated in accordance with the SEBI guidelines, as amended from time to time. The eligibility and number of options to be granted to an employee is determined on the basis of various parameters such as scale, designation, performance, grades, period of service, Bank's performance and such other parameters as may be decided by the Nomination, Remuneration, Ethics and Compensation Committee of the Board from time to time in its sole discretion.

The Bank's shareholders had approved the Employee Stock Option Scheme 2010 (ESOS 2010) on December 24, 2010 and the Federal Bank Limited Employee Stock Option Scheme 2017 (ESOS 2017) on July 14, 2017.

Under ESOS 2010, the Nomination, Remuneration, Ethics and Compensation Committee granted 3,47,20,200 options during the year 2011-12, 2,44,84,750 options during the year 2012-13, 2,60,94,250 options during the year 2013-14, 1,11,56,450 options during 2014-15, 10,25,000 options during the year 2015-16, 9,65,000 options during the year 2016-17

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and 1,00,000 options during the year 2017-18. The options granted which are non-transferable, with vesting period of 1 to 5 years subject to standard vesting conditions, must be exercised within five years from the date of vesting. As on March 31, 2021, 6,95,91,185 options had been exercised and 9,196,193 options were in force.

Under ESOS 2017, the Nomination, Remuneration, Ethics and Compensation Committee granted 2,23,18,348 options during the year 2017-18, 3,72,31,307 options during the year 2018-19, 3,05,24,986 options during the year 2019-20 and 1,68,84,159 options during the year 2020-21. The options granted which are non-transferable, with vesting period of 1 to 4.25 years subject to standard vesting conditions, must be exercised within five years from the date of vesting. As on March 31, 2021, 5,57,062 options had been exercised and 7,49,26,966 options were in force.

Other statutory disclosures as required by the SEBI guidelines/ Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 on ESOS are given in website of the Bank in the link: <https://www.federalbank.co.in/web/guest/shareholder-information>.

TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

Transfer of Unpaid/ Unclaimed Dividend

As per Sections 124 and 125 of the Act read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ('IEPF Rules'), dividend, if not claimed for a consecutive period of 7 years from the date of transfer to Unpaid Dividend Account of the Company, are liable to be transferred to the Investor Education and Protection Fund ('IEPF'). The said requirement does not apply to shares in respect of which there is a specific Order of Court, Tribunal or Statutory Authority, restraining transfer of the shares.

As a result, the unclaimed/unpaid dividend for the year 2012-13 amounting to ₹ 95.44 lakhs which remained unpaid and unclaimed for a period of 7 years has been already transferred by your Bank to the IEPF.

Further, the unpaid dividend amount pertaining to the financial year 2013-14 will be transferred to IEPF during the Financial Year 2021-22.

Your Bank has uploaded the details of unclaimed/ unpaid dividend for the financial year 2013-14 onwards on its website viz., www.federalbank.co.in and on website of the Ministry of Corporate Affairs viz., www.iepf.gov.in and the same gets revised/updated from time to time pursuant to the provisions of IEPF (Uploading of Information Regarding Unpaid and Unclaimed Amount lying with Companies) Rules, 2012.

Transfer of Shares underlying Unpaid Dividend

Pursuant to the provisions of Section 124(6) of the Act and the Investor Education and Protection Fund (IEPF) Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 notified by the Ministry of Corporate Affairs on September 7, 2016 and subsequently amended vide notification dated February 28, 2017, all the equity shares of the Bank in respect of which dividend amounts have not been paid or claimed by the shareholders for seven consecutive years or more are required to be transferred to demat account of IEPF Authority. Upon transfer of such shares, all benefits (like dividend, bonus, split, consolidation etc.), if any, accruing on such shares shall also be credited to the Account of IEPF and the voting rights on such shares shall remain frozen till the rightful owner claims the shares. Shares which were transferred to the demat account of IEPF Authority can be claimed back by the shareholder by following the procedure prescribed under the aforesaid rules.

Accordingly, 271586 equity shares of 180 members of your Bank were transferred to Demat Account of IEPF Authority. Your Bank had sent individual notice to all the aforesaid 180 members and has also published the notice in the leading English and Malayalam newspapers.

The details of the nodal officer appointed by the Bank under the provisions of IEPF are disseminated on the website of the Bank viz., <https://www.federalbank.co.in/unclaimed-dividend-warrants>.

DIRECTORS

As on March 31, 2021, Bank's Board consists of 11 members, with rich experience and specialized knowledge in various areas of relevance to the Bank, including banking, accountancy, MSME, finance, small scale industry, agriculture, strategic planning, risk management, information technology and Payment and Settlement Systems. Besides the Chairperson, a Non-Executive Non-Independent Woman Director, the Board comprises seven Non-Executive Independent Directors including one woman independent director and three Executive Directors.

During the year, Reserve Bank of India vide their letter dated July 16, 2020 had approved the re-appointment of Mr. Shyam Srinivasan as Managing Director & Chief Executive Officer (MD & CEO) (DIN: 02274773) of the Bank for a period of one year w.e.f. September 23, 2020 till September 22, 2021. Accordingly, approval of the shareholders for re-appointment of Mr. Shyam Srinivasan as MD & CEO of the Bank through ordinary resolution is being sought at the ensuing AGM of the Bank.

Pursuant to the recommendation of the Nomination, Remuneration, Ethics and Compensation Committee, the Board





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of Directors of the Bank approved the appointment of Ms. Varsha Purandare (DIN- 05288076) as an Additional Independent Director of the Bank, with effect from September 08, 2020. Pursuant to the provisions of Section 161 of the Act, she continues to hold office as an Additional Director of the Bank, up to the date of the ensuing AGM or the last date, on which the AGM should have been held, whichever is earlier. Your Bank has received a notice in writing from a member proposing the candidature of Ms. Varsha Purandare as a Director (Non-Executive Independent) on the Board of the Bank. Further, the NRC and the Board of Directors of the Bank have also recommended her appointment as an Independent Director, not liable to retire by rotation, to the Shareholders at the ensuing AGM for a period of five years with effect from September 08, 2020.

The Nomination, Remuneration, Ethics and Compensation Committee at its meeting held on June 09, 2021 after taking into account the performance evaluation of Mr. A P Hota during his first term of three years and considering the knowledge, acumen, expertise and experience in respective fields and the substantial contribution made by him during his tenure as Independent Director since his appointment, has recommended to the Board that continued association of him as Independent Director would be in the interest of the Bank. Based on the above, the Nomination, Remuneration, Ethics and Compensation Committee and the Board has recommended the re-appointment of Mr. A P Hota as Independent Director on the Board of the Bank, to hold office for the second term commencing from date of 90th Annual General Meeting upto January 14, 2026 and not liable to retire by rotation. Accordingly, approval of the shareholders for re-appointment of Mr. A P Hota through Special Resolution is being sought at the ensuing AGM of the Bank.

Mr. Ashutosh Khajuria (DIN: 05154975) was re-appointed as Executive Director of the Bank for a period of one year with effect from w.e.f. April 01, 2021 till April 30, 2022 with the approval of Reserve Bank of India. Accordingly, approval of the shareholders for re-appointment of Mr. Ashutosh Khajuria as Executive Director of the Bank, through Ordinary Resolution is being sought at the ensuing AGM of the Bank.

In terms of the provisions of Section 152 of the Companies Act, 2013, Ms. Shalini Warriar, Executive Director (DIN: 08257526), being longest in office, shall retire at the ensuing AGM and being eligible, offers herself for re-appointment. The Board recommends her re-appointment.

Mr. Sudarshan Sen (DIN: 03570051) was appointed as Additional Non- Executive Independent Director on the Board of the Bank

effective from February 11, 2020. The Shareholders in the 89th AGM held on July 16, 2020 had approved the appointment of Mr. Sudarshan Sen as Independent Director of the Bank for a term of five (5) consecutive years with effect from the date of his appointment by the Board. Further, the Shareholders of the Bank at the 89th AGM approved the appointment of Ms. Grace Koshie (DIN: 06765216), Part –Time Chairperson as Non–Executive, Non-Independent Director of the Bank with effect from July 17, 2020 to November 21, 2021 and also took on record the approval received from RBI for the appointment of Ms. Grace Koshie as Part-Time Chairperson of the Bank with effect from November 07, 2019 to November 21, 2021.

The Shareholders in the 89th AGM had also approved the re-appointment of Mr. Shyam Srinivasan (DIN: 02274773) as Managing Director & Chief Executive Officer of the Bank, for a period of one year with effect from September 23, 2019 to September 22, 2020 and Mr. Ashutosh Khajuria as an Executive Director of the Bank designated as Executive Director and Chief Financial Officer of the Bank for the period from January 28, 2020 to March 31, 2021. Further, the Shareholders of the Bank at the 89th AGM approved the appointment of Ms. Shalini Warriar as Executive Director of the Bank, for a period of three (3) years with effect from January 15, 2020.

Ms. Shubhalakshmi Panse (DIN- 02599310) Independent Director of the Bank, retired from the Directorship of the Bank effective from July 17, 2020, upon completion of two terms as Independent Director, in accordance with the regulatory requirements of RBI.

Necessary information pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, in respect of directors to be appointed and re-appointed at the ensuing Annual General Meeting are given in the Annexure to the Notice convening the Annual General Meeting scheduled to be held on July 09, 2021.

None of the Directors of your Bank are disqualified for being appointed as directors, as specified in Section 164(2) and Rule 14(1) of Companies (Appointment and Qualification of Directors) Rules, 2014.

KEY MANAGEMENT PERSONNEL

As on March 31, 2021, the following Directors/Executive continued as Key Managerial Personnel of the Bank:

Mr. Shyam Srinivasan – Managing Director & Chief Executive Officer

Mr. Ashutosh Khajuria – Executive Director & Chief Financial Officer

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Ms. Shalini Warriar – Executive Director & Chief Operating Officer
Mr. Samir P Rajdev – Company Secretary & Vice President

During the year Mr. Shyam Srinivasan, MD & CEO of the Bank who is Key Managerial Personnel was reappointed as MD & CEO of the Bank for a period of one year w.e.f. September 23, 2020 till September 22, 2021

After the end of the financial year and up to the date of the Report.

Mr. Ashutosh Khajuria (DIN: 05154975), Executive Director of the Bank, who is also a Key Managerial Personnel was re-appointed as Executive Director of the Bank for a period of one year with effect from April 01, 2021 till April 30, 2022 with the approval of Reserve Bank of India.

The Board of Directors of the Bank at its meeting held on May 17, 2021, approved the appointment of Mr. Venkatraman Venkateswaran as Chief Financial Officer and Key Managerial Personnel of the Bank with effect from Tuesday, May 18, 2021. Mr. Ashutosh Khajuria, Executive Director, who was also the CFO, after the transition, made responsible for Treasury, Credit & Collections, Strategic initiatives and establish the ESG journey of the Bank.

DECLARATION BY INDEPENDENT DIRECTORS

The Bank has received declaration from all the Independent Directors that they continue to meet the criteria of independence as provided under the Companies Act, 2013 (the Act) and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and comply with the Code for Independent Directors as specified under Schedule IV of the Act. In terms of the Companies (Creation and Maintenance of databank of Independent Directors) Rules, 2019 read with the Companies (Appointment and Qualification of Directors) Fifth Amendment Rules, 2019, the Independent Directors of the Bank has enrolled his/ her name in the online databank of Independent Directors maintained by the Government.

The Independent Directors have also confirmed that they are not aware of any circumstance or situation, which exists or may be reasonably anticipated, that could impair or impact their ability to discharge their duties with an objective independent judgement and without any external influence.

In the opinion of the Board, the Independent Directors possess the requisite expertise and experience and are the persons of high integrity and repute. They fulfil the conditions specified in the Act and the Rules made thereunder and are independent of the Management.

MEETINGS

The Board meets at regular intervals to discuss and decide on Bank/ business policy and strategy apart from other items of business. The Board exhibits strong operational oversight with regular presentations by business heads to the Board. The Board and Committee meetings are prescheduled and a tentative annual calendar of Board and Committee Meetings is circulated to the Directors well in advance to help them plan their schedule and to ensure meaningful participation at the meetings.

During the year under review fifteen (15) Board Meetings. Twelve (12) Audit Committee Meetings and other Committee Meetings were convened and held, the details of which are given in the Corporate Governance report. The intervening gap between the meetings was within the period prescribed under the Companies Act, 2013.

The details of the constitution of the Board and its Committees are detailed in the Corporate Governance report.

SUBSIDIARIES OF THE BANK

As on March 31, 2021, the Bank has one unlisted wholly owned subsidiary, M/s. Federal Operations and Services Limited and one unlisted subsidiary named M/s. Fedbank Financial Services Limited.

Federal Operations and Services Limited

Federal Operations and Services Limited (FedServ) is a wholly owned subsidiary company of The Federal Bank Limited (the Bank) incorporated on October 26, 2018. FedServ received approval from RBI on November 09, 2018 for commencing its operations. FedServ started its operations w.e.f. December 01, 2018. FedServ provides operational and technology oriented services to the Bank.

As on March 31, 2021, FedServ's Board of Directors has following four members–

Mr. C Balagopal , Chairman

Ms. Shalini Warriar, Non- Executive Director

Mr. Ajith Kumar K K, Non- Executive Director

Mr. Johnson K Jose, Whole-time Director

During the year ended on March 31, 2021, FedServ has taken significant operational activities of the Bank which includes Call Centre Operations. FedServ is carrying out 87 operational activities of the Bank as on March 31, 2021. Company does not deal in loans and advances, neither it accepts deposits. FedServ is





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operating from two locations:- Kochi in Kerala and Visakhapatnam in Andhra Pradesh.

The total revenue of FedServ for the year ended on March 31, 2021 was ₹ 26.38 Crores. The full revenue pertains to services provided by the Company entirely to the Bank. The Company had a net profit of ₹ 1.84 Crores for the year ended on March 31, 2021. The Net worth of FedServ at the beginning of the year was ₹ 10.98 Crores and closing net worth of FedServ as on March 31, 2021 was ₹ 12.82 Crores.

FedServ will help the Bank in serving the customers better and reducing the cost of operations significantly. FedServ will also help the Bank to improve turnaround time of various operational processes, improve First Time Right (FTR) rate and enable the Bank to become FIRST CHOICE Bank of customers.

The Profit after tax of the Company for the year ended March 31, 2021 increased to ₹ 1.84 Crores from ₹ 1.27 Crores for the year ended March 31, 2020. The total assets of the Company increased to ₹ 14.96 Crores as on March 31, 2021 from ₹ 13.69 Crores as on March 31, 2020.

Fedbank Financial Services Limited

Fedbank Financial Services Limited (Fedfina) is a subsidiary company of The Federal Bank Limited (the Bank) incorporated on April 17, 1995. Fedfina received approval from RBI on August 24, 2010 for commencing its operations. It is a Non-deposit taking & Systemically Important (ND-SI) NBFC. Fedfina provides various multiple loan products such as Loan against Property (LAP), Structured Finance and Loan against pledge of Gold ornaments. It also distributes loan products of the Bank. It has over 359 branches across India providing multiple loan products to various segments of borrowers.

Fedfina's Board of Directors comprises following six members.

Mr. K Balakrishnan – Chairman & Independent Director
 Mr. Anil Kothuri – Managing Director & Chief Executive Officer
 Mr. Shyam Srinivasan – Non Executive Director
 Ms. Gauri Rushabh Shah – Independent Director
 Mr. Maninder Singh Juneja – Nominee Director
 Mr. Ashutosh Khajuria – Nominee Director

The total revenue of Fedfina for the year ended on March 31, 2021 is ₹ 696.41 Crores as against ₹ 471.27 Crores for the year ended March 31, 2020. Revenue grew by 48% on the back of growth of 23% in loan book during the year. The net profit of the Company grew by 48% to ₹ 58.60 Crores for the year ended March 31, 2021 as against ₹ 39.54 Crores for the year ended March 31, 2020. The Net worth of Fedfina at the beginning of the year was

₹ 694.04 Crores and closing Net worth of Fedfina as on March 31, 2021 was ₹ 832.08 Crores. During the year, Bank has invested in equity shares of Company amounting to ₹ 58.61 Crores.

The total loan portfolio of Fedfina as on March 31, 2021 was ₹ 4,491.75 Crores as against ₹ 3,650.75 Crores as on March 31, 2020. The total assets of the Company increased to ₹ 5,409.89 Crores as on March 31, 2021 from ₹ 4,035.10 Crores as on March 31, 2020.

Note: The figures reported above for Fedfina are as per the audited financial statements prepared for the consolidation as per AS 21, Consolidated Financial Statements.

ASSOCIATE COMPANIES

As on March 31, 2021, the Bank has two Associate Companies named M/s. Ageas Federal Life Insurance Company Limited (Formerly known as IDBI Federal Life Insurance Co Ltd.) and M/s. Equirus Capital Private Limited.

Joint Venture in Life Insurance Business

The Bank's Joint Venture Life Insurance Company, in association with IDBI Bank Limited and Ageas Insurance International N.V. (Formerly known as Fortis), namely Ageas Federal Life Insurance Company Limited (erstwhile IDBI Federal Life Insurance Company Limited), commenced operations in March 2008. Currently the Bank has a total stake of ₹ 208 Crores in the equity of the Company holding 26% of the equity capital. The total premium collected by Ageas Federal Life Insurance Company Limited during the period ended March 31, 2021 was ₹ 1,958.64 Crores. The Company has declared & paid final dividend of 13% for the FY 2020-21.

Mr. Shyam Srinivasan, Managing Director and Chief Executive Officer and Ms. Shalini Warriar, Executive Director of the Bank are Non-Executive Directors in Ageas Federal Life Insurance Company Limited.

Investment Banking Associate

As of March 31, 2021, Bank holds 19.90% stake in Equirus Capital Private Limited. Pursuant to the right of proportionate representation on Board as well as power to participate in the financial, operational matters like approval of business plan, policies, budgets, managerial remuneration, change in KMP etc., the same has been treated as an associate concern as per AS 23 Accounting for Investments in Associates in Consolidated Financial Statements. Equirus Capital Private Limited is a private company domiciled in India and is engaged in the business of Investment banking. It has 3 subsidiaries named Equirus Securities Private Limited, Equirus Insurance Broking Private Limited and Equirus Wealth Private Limited. Total turnover of Equirus Capital Private

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Limited on a consolidated basis was ₹ 65.42 Crores in FY 2021 against ₹ 45.06 Crores for FY 2020.

Mr. Harsh Dugar, Group President & Country Head - Wholesale Banking of the Bank is a Nominee Director on the Board of Equirus Capital Private Limited.

DEPOSITS

Being a Banking Company, the disclosures required as per Rule 8(5) (v) & (vi) of the Companies (Accounts) Rules, 2014, read with Section 73 and 74 of the Companies Act, 2013 are not applicable to the Bank.

LOANS, GUARANTEES OR INVESTMENTS IN SECURITIES

Pursuant to Section 186 (11) of the Companies Act, 2013, loans made, guarantees given, securities provided or acquisition of securities by a banking Company in the ordinary course of its business are exempted from the disclosure requirement under Section 134(3) (g) of the Companies Act, 2013.

RELATED PARTY TRANSACTIONS

All related party transactions that were entered during the financial year were in the ordinary course of the business of the Bank and were on arm's length basis. There were no materially significant related party transactions entered by the Bank with Related parties which may have a potential conflict with the interest of the Bank. All Related Party Transactions were placed before the Audit Committee of the Board for approval. Prior omnibus approval for transactions which are of repetitive nature is obtained from the Audit Committee and accordingly the required disclosures are made to the Committee on quarterly basis in terms of the approval of the Committee.

The policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions as approved by the Audit Committee and the Board of Directors is uploaded on the website of the Bank and the link for the same is <https://www.federalbank.co.in/our-commitments>.

Since all related party transactions entered into by the Bank were in the ordinary course of business and were on an arm's length basis, disclosures as per Form AOC-2 is not applicable to the Bank. There were also no material contracts or arrangement or transactions with related parties during the period.

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) has been an inherited & inbuilt element of our fundamentals right from the day the Bank was founded. Our founder's values & ethos based on trust got embedded in the Bank's policies & principles. CSR in Federal

Bank began with the first act of cultivating banking habits in the agrarian society to effectively utilize idle money for productive purposes.

The details of the CSR initiatives undertaken during the financial year ended March 31, 2021 and other details required to be given under section 135 of the Companies Act, 2013 read with rule 8(1) of the Companies (Corporate Social Responsibility Policy) Rules, 2014 are given in **Annexure I** forming part of this Report.

The CSR Policy as recommended by the CSR Committee and as approved by the Board is available on the website of the Bank and can be accessed at <https://www.federalbank.co.in/corporate-social-responsibility>.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The Bank is very conscious about the need for energy management and as a team endeavour to contribute to low carbon economy and acknowledges that it is a continuous process. The Bank is introducing energy-efficient systems and leveraging technology to boost energy efficiency in Bank's operations. For more details of various initiatives undertaken by the Bank for energy conservation at its premises, please refer ESG section of the Annual Report and Principle 6 of Section E of the Business Responsibility Report. The Bank prides itself on continuous investment in technology upgrades that are designed to deliver cost effective best in class customer service.

The Bank has used information technology extensively in its operations, for more details please refer the section on Technology and Digital Updates portion of Directors report and Management Discussion & Analysis Report forming part of the Annual Report. Through its export-financing operations, the Bank supports and encourages the country's export efforts.

RISK MANAGEMENT

The Bank's Risk Management framework is based on a clear understanding of various risks, robust risk assessment and measurement procedures and constant monitoring. The Board of Directors oversees all the risks assumed by the Bank. Specific Committees are constituted to facilitate focused oversight of various functions. The Risk Management Committee of the Board sets the standards and governs the risk management functions, thereby bringing in a top to down focus on risk management. The Risk Management Committee of the Board reviews risk management Policies of the Bank pertaining to credit, market, liquidity, operational and business continuity management. The Committee reviews the Risk Appetite framework, Internal Capital Adequacy Assessment Process (ICAAP) and Stress





Directors' Report (Contd...)

testing. The Committee oversees setting up of limits on any sector or country, implementation of Basel III guidelines and the activities of the executive level risk management committees. The Committee assesses the level and direction of major risks pertaining to credit, market, liquidity, operational, reputation, technology, information security, compliance and capital as a part of the risk dashboard. In addition, the Committee oversees risks of subsidiaries covered under the Group Risk Management Framework. In addition, a Compliance Risk Assurance Cell (CRAC) is functioning in the Department, which is established with the aim to ensure total compliance with the regulatory and internal guidelines as well.

The Risk Management Policies approved by the Board of Directors and reviewed from time to time with updated regulatory and internal guidelines form the governing framework for each type of risk.

The Integrated Risk Management Department co-ordinates and administers the risk management functions in the Bank. The Department has three divisions for managing the main risk streams, Credit risk, Market risk and Operational risk. Dedicated teams within the divisions are responsible for assessment, monitoring and reporting of various material risks. Default risk and asset quality of loan portfolio are monitored and managed by the Credit Risk Division. MIU unit formed with the purpose of monitoring large value accounts is linked to Credit Risk Division. The Bank has established an independent Mid Office as part of Market Risk Division for real time monitoring of Treasury activities. Business Continuity Management, Information and Cyber Security measures and Information Technology Risk form part of Operational Risk Management. All the three divisions are independent of business operations and coordinate with representatives of the business units to implement the Bank's risk management Policies and frameworks. Executive level risk management committees namely, Credit Risk Management Committee, Asset Liability Management Committee, Operational Risk Management Committee and Information Security Committee regularly assess the respective risks and direct corrective actions wherever required. The risk management functions are coordinated by a Senior Executive designated as Chief Risk Officer who reports directly to the Managing Director & CEO. All material risks of the Bank emerging in the course of its business are identified, assessed and monitored in the Internal Capital Adequacy Assessment Process (ICAAP). In our view, all the material risks of the Bank are identified, assessed and managed adequately.

VIGIL MECHANISM/WHISTLE BLOWER POLICY

The Bank has a robust mechanism for fraud risk management and the meticulously drafted Fraud Risk Management Policy elucidates the numerous mitigation measures and the surveillance mechanism that complements prevention, detection, investigation and monitoring of both, internal and external frauds. Vigilance Department plays a dynamic role in all the activities related to fraud and it also shoulders the responsibility in sensitizing public as well as employees at all levels, on trending modus operandi of frauds, as part of the pre-emptive strategy. With a view to create an atmosphere of vigil and alertness, Vigilance Department issues Vigilance Communications (Alerts) to all employees on regular basis that disseminates various modus operandi of frauds in the banking industry and also suggesting safeguards and precautions to be adopted to prevent such frauds. Preventive Vigilance Workshops are conducted every year to sensitise and equip the field level staff to prevent frauds and at selected branches preventive Vigilance Audits are also conducted. Further, Fraud Prevention Committee at the branches conducts meetings periodically with a view to spread awareness among the employees on potential fraudulent activities and to keep them alert. Customer awareness on fraudulent activities is another area that is well covered by the Bank through various effective communication channels including SMS, E-Mails, posters at Branches, ribbon messages on Bank website, internet banking webpage, etc. All cases of frauds reported in the Bank are investigated in detail as part of detective vigilance activity. Lacunae, if any observed during the course of investigation are plugged and cases where process refinements are warranted, are presented before relevant forums for corrective measures/necessary directions.

Bank has a robust Whistle Blower Policy termed as Protected Disclosure Scheme (PDS) with a view to enhancing public confidence in the Bank and also in compliance of RBI directions in this regard. The policy aims at establishing an efficient vigil mechanism in the Bank to quickly spot aberrations and deal with it at the earliest. It is disseminated among the employees assuring confidentiality and protection to the whistle blower against any personal vindictive actions such as humiliation, harassment or any other form of unfair treatment. Directors and Employees of the Bank, employee representative bodies, customers, stakeholders, non-governmental organizations (NGO) and members of the public can lodge complaints / disclosures under this scheme. A dedicated e-mail ID is provided for sending complains/disclosures under PDS. Vigilance Department conducts investigation of all complaints /information received through the PDS and submits report to MD & CEO. The details of the complaints and findings are also

Directors' Report (Contd...)

placed before the Audit Committee of the Board on a quarterly basis. The scheme is popularised through various measures such as preventive vigilance classes, internal circulars, alerts etc. No personnel have been denied access for giving any information as envisaged in the Protected Disclosure scheme. The PDS Document is made available in Bank's website and Intranet. Website link to Bank's Whistle Blower Policy is <https://www.federalbank.co.in/our-commitments>

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS OF THE COMPANY AND ITS FUTURE OPERATIONS

During the financial year 2020-21, the Bank has not received any significant or material orders passed by any Regulatory Authority, Court or Tribunal which shall impact the going concern status and Bank's operations in future.

STATUTORY AUDITORS

The Shareholders in the 89th AGM held on July 16, 2020 approved the appointment M/s. Varma & Varma, Chartered Accountants (Registration No. 004532S), Kochi for a period of four (4) years together with M/s. Borkar & Muzumdar, Chartered Accountants (Registration No. 101569W), Mumbai for a period of three (3) years as Joint Statutory Central Auditors of the Bank from the conclusion of 89th AGM till the conclusion of 93rd and 92nd AGM respectively.

RBI vide its letter DOS. ARG. No. PS-8/08.09.005/2019-20 dated June 04, 2020 had granted approval for appointment of M/s. Varma & Varma, Chartered Accountants and M/s. Borkar & Muzumdar, Chartered Accountants as Joint Statutory Central Auditors of the Bank for FY 2020-21 for their first year.

RBI vide circular dated DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 brought in "Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors". As per Para 8.1 of the said circular, in order to protect the independence of the auditors/audit firms, entities will have to appoint the SCAs/SAs for a continuous period of three years, subject to the firms satisfying the eligibility norms each year.

To comply with the requirements of the aforesaid RBI Circular dated April 27, 2021, the period of appointment of one of the Joint Statutory Central Auditors of the Bank, M/s Varma and Varma, Kochi needs to be reduced from four years to three years. The Board of the Bank at its meeting dated June 11, 2021 recommended to the shareholders of the Bank the revision in the tenure of appointment of M/s. Varma and Varma, one of the Joint Statutory Central Auditors of the Bank, as three years

with effect from FY 2020-21. Accordingly the revision of tenure of M/s. Varma and Varma, one of the Joint Statutory Central Auditors of the Bank, is placed for the shareholders' approval in the ensuing AGM.

Pursuant to the amendment made to Section 139 of the Companies Act, 2013 by the Companies (Amendment) Act, 2017, effective from May 07, 2018, the requirement of seeking ratification of the members for the appointment / re-appointment of the Statutory Auditors has been withdrawn from the Statute. Hence, the resolution seeking ratification of the members for re-appointment at the ensuing AGM is not being sought for the reappointment of M/s. Borkar & Muzumdar, Chartered Accountants as one of the Joint Statutory Central Auditors of the Bank.

There is no qualification or adverse remark in Auditors' Report. There is no incident of fraud requiring reporting by the Auditors under Section 143(12) of the Act.

SECRETARIAL AUDIT AND SECRETARIAL COMPLIANCE REPORT

Pursuant to the provisions of Section 204 of The Companies Act, 2013 your Bank has appointed CS EP Madhusudhanan (COP: 21874), Partner of SEP & Associates, Company Secretaries, Kochi as Secretarial Auditor to conduct Secretarial Audit of the Bank for the FY 2020-21. Accordingly, the Secretarial Audit Report for FY 2020-21 is annexed to this report as **Annexure II**. There are no reservations, adverse remark or disclaimer in the Secretarial Audit Report.

No offence of fraud was reported by the Secretarial Auditor of the Bank.

Pursuant to Regulation 24A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI Circular No. CIR/CFD/CMD1/27/2019 dated February 08, 2019, the Bank has obtained Secretarial Compliance Report, certified by CS Puzhankara Sivakumar (COP: 2210), SEP & Associates, Company Secretaries, Kochi for Financial Year ended March 31, 2021, on compliance of all applicable SEBI Regulations and circulars/ guidelines issued thereunder and the copy of the same was submitted with the Stock Exchanges.

COMPLIANCE WITH SECRETARIAL STANDARDS ON BOARD AND GENERAL MEETINGS

The Bank has complied with Secretarial standards issued by the Institute of Company Secretaries of India on Board Meetings and General Meetings.





Directors' Report (Contd...)

ANNUAL RETURN

The Annual Return for the Financial Year ended March 31, 2021 as required under Section 92 and Section 134 of the Companies Act, 2013 read with Rule 12 of the Companies (Management and Administration) Rules, 2014 is available on the Bank's website, <https://www.federalbank.co.in/shareholder-information>.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the provisions of Section 129(3) of the Companies Act, 2013 read with Rule 8 of Companies (Accounts) Rules, 2014, the Bank has prepared its Consolidated Financial Statement including its subsidiaries M/s. Fedbank Financial Services Limited and M/s. Federal Operations and Services Limited and Associates, M/s. Ageas Federal Life Insurance Company Limited (Formerly known as IDBI Federal Life Insurance Co Ltd.) and M/s. Equirus Capital Private Limited, which is forming part of this Annual report. The financial position and performance of its subsidiaries & Associates are given in Form AOC-1, the statement containing salient features of the financial statements of the subsidiaries/Associate Companies/Joint Venture.

In accordance with third proviso to Section 136(1) of the Companies Act, 2013, the Annual Report of the Bank, containing therein its Standalone and the Consolidated Financial Statements has been hosted on its website, www.federalbank.co.in. Further, as per fourth proviso to the said Section, the Audited Annual Accounts of the said Subsidiary Companies of the Bank, considered as part of the Consolidated Financial Statements have also been hosted on the Bank's website, www.federalbank.co.in. The said documents have been hosted on the website of the Subsidiary Companies of the Bank also, in compliance with the said Section.

The documents/details available on the Bank's website (www.federalbank.co.in) will also be available for inspection by any Member at its Registered Office. Further, pursuant to the provisions of Accounting Standard ('AS') 21, Consolidated Financial Statements notified under Section 133 of the Companies Act, 2013, read together with Rule 7 of the Companies (Accounts) Rules, 2014 issued by the Ministry of Corporate Affairs, the Consolidated Financial Statements of the Bank along with its Subsidiaries and Associates for the year ended March 31, 2021 forms part of the Annual Report.

REQUIREMENT FOR MAINTENANCE OF COST RECORDS

The Bank is not required to maintain cost records as specified by the Central Government under section 148(1) of the Companies Act, 2013.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

In compliance with the Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015,

separate Section on Management Discussion and Analysis, as approved by the Board, which includes details on the state of affairs of the Bank, forms part of this Annual Report.

CORPORATE GOVERNANCE

Corporate Governance has been an integral part of the way your Bank has been doing business since inception. The Bank believe that good Corporate Governance emerges from the application of the best and sound management practices and compliance with the laws coupled with adherence to the highest standards of transparency and business ethics.

Your board seeks to embed and sustain a culture that will enable us to achieve our objectives through effective corporate governance and enhance transparent engagement with key stakeholders.

A separate report on Corporate Governance setting out the governance structure, principal activities of the Board and its Committees and the policies and practices that enable the Board to fulfil its stewardship responsibilities together with a Certificate from the Secretarial Auditor of the Bank regarding compliance of conditions of Corporate Governance as stipulated under Listing Regulations forms part of this Annual report.

INTERNAL COMPLAINTS COMMITTEES (INFORMATION UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013)

The Bank had constituted Internal Complaints Committee, as per letter and spirit contained in the provisions of "The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013", at 9 Zones and Head Office to prevent and redress the complaints relating to sexual harassment and to organize workshops/ awareness programs to empower women employees while handling cases relating to sexual harassment. Workshops/ awareness programs regarding women empowerment were conducted at various locations pan India. The data with regard to the redressal of complaints by the Internal Complaints Committee are as follows:

| | |
|---|--------------------------|
| No. of complaints received for the year FY-2020-21 | 1 |
| No. of complaints disposed of during FY -2020-21 | 1 |
| No. of cases pending for more than 90 days | Nil |
| No. of workshops/ awareness program against sexual harassment carried out | 2 |
| Nature of action taken by the employer/ District Officer | Appropriate action taken |

Directors' Report (Contd...)

DIVIDEND DISTRIBUTION POLICY

In accordance with the Regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Bank has formulated a Dividend Distribution Policy and the same is annexed herewith as **Annexure III**. The policy has been displayed on the Bank's website at www.federalbank.co.in.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Bank has through the years developed and stabilized an effective internal control system calibrated to the risk appetite of the Bank and aligned to the scale, size and complexity of its operations. The scope and authority of the internal audit function is defined in the Audit and Inspection Policy of the Bank, duly approved by the Board of Directors. In order to help Bank achieve its mission of adopting the best professional practices prevailing in the industry, while framing the policy, substantial inputs are taken from - RBI guidance note on Risk Based Internal Audit, 'The internal audit function in banks' published by Basel Committee on Banking Supervision and Model Audit Manual on Internal & Concurrent Audit Systems in Public Sector Banks. Audit and Inspection Policy is reviewed annually. Policy is reviewed considering various guidelines of RBI, Basel Committee recommendations, ICAI guidelines, other statutory / regulatory guidelines, directions of Board / Audit Committee of the Board issued from time to time and periodic internal guidelines / instructions issued by the Bank. At the enterprise level, the Inspection and Audit Department, on a continuous basis, assesses and monitors the effectiveness of the control systems and its adequacy to meet the growing complexities. The audit function essentially validates the compliance of Bank's processes and operations with regulatory guidelines, accounting procedures and Bank's own internal rules and guidelines. A department level group meets on periodical intervals to discuss latest internal / RBI / regulatory guidelines for ensuring that the required changes are implemented for making the audit function updated and dynamic.

The Bank has a robust system towards escalating the audit findings to appropriate levels in the hierarchy of Management and discussions in various committees towards suggesting corrective action and its follow up. The Bank in compliance of the requirements of Section 138 of the Companies Act, 2013, has designated the Head of Inspection and Audit Department as Internal Auditor who directly reports to the Managing Director & CEO of the Bank. The Bank has various types of audit which inter-alia include Risk Based Internal Audit, Information System Audit, Concurrent Audit, Gold Loan Audit and Management Audit. Branches are risk rated and the frequency of Risk Based Internal

Audit is decided based on Risk – Audit Matrix defined in Audit and Inspection Policy. Significant Audit findings and observations are presented to Inspection Review Committee of Executives and a report on the meetings of Inspection Review Committee of Executives along with significant audit findings, directions / suggestions of the Committee and action taken in such cases are placed to the Audit Committee of the Board for review periodically. Other findings are placed before a department level committee called the 'Inspection Department Review Committee' for review and its observations are placed before Inspection Review Committee of Executives.

As per the requirement of Companies Act, 2013, Bank has formulated Internal Financial Controls framework. Risk and Controls associated with each process in the Bank are documented under the Internal Financial Controls Framework. Inspection and Audit Department plays a significant role in testing the control effectiveness for each process under the framework.

The Internal Audit function provides independent assurance to the Board of Directors and Senior Management on the quality and effectiveness of the bank's internal control, risk management and governance systems and processes, thereby helping the Board and Senior Management protect the bank and its reputation.

POLICY ON BOARD DIVERSITY

Policy on Board Diversity of the Bank mainly depends on the qualifications for appointment of Directors of the Bank as contained in the Banking Regulation Act, 1949 and satisfying the Fit and Proper Criteria for directors as per the regulatory requirement of RBI.

The Bank continuously seeks to enhance the effectiveness of its Board and to maintain the highest standards of corporate governance and recognizes and embraces the benefits of diversity in the boardroom. Diversity is ensured through consideration of a number of factors, including but not limited to skills, regional and industry experience, background and other qualities. In forming its perspective on diversity, the Bank also take into account factors based on its own business model and specific needs from time to time.

Board Diversity enhances the quality of performance of the Board; ushers in independence in the performance of the Board; eradicates the gender bias in the Board; achieves sustainable and balanced performance and development; supports the attainment of strategic objectives & also ensures compliance of applicable law/s and good corporate practices.





Directors' Report (Contd...)

Nomination, Remuneration, Ethics and Compensation Committee has the responsibility for leading the process for Board appointments and for identifying and nominating, for approval by the Board, candidates for appointment to the Board. The benefits of diversity continue to influence succession planning and continue to be the key criteria for the search and nomination of directors to the Board. Board appointments will be based on merit and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board, including gender. While making Board appointments, the regulatory requirements for appointment of at least one Woman Independent Director on the Board of the Bank will also be considered.

BANK'S POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION INCLUDING CRITERIA FOR DETERMINING QUALIFICATIONS, POSITIVE ATTRIBUTES, INDEPENDENCE OF A DIRECTOR AND OTHER MATTERS PROVIDED UNDER SUB-SECTION (3) OF SECTION 178 OF COMPANIES ACT, 2013

a. Qualifications, Experience and knowledge

1. The Board should bring to their tasks a balanced mix of knowledge, skills, experience, and judgment relevant to the Bank's policies, operations, and needs. Not less than fifty -one percent of the total number of Directors shall be persons having special knowledge, skills, or valuable experience in one or more fields, such as banking, finance, management, economics, law, accountancy, agriculture and rural economics, cooperative movement, trade, industry, infrastructure, engineering. The Bank shall ensure to include in its Board need based representation of skills such as marketing, risk management, strategic planning, treasury operations, credit recovery, information technology, payment & settlement systems, human resources and business management. At least two Directors shall be persons having special knowledge or practical experience in agriculture and rural economy, cooperation, or small-scale industry. The Bank should ensure that Board members with requisite skill sets, as prescribed by regulations are there in the Board of the Bank.
2. The Board to have at least One Woman Independent Director in its composition.
3. The directors should be able to devote sufficient time and attention to the discharge of their duties to the Bank.

4. The directors shall preferably be in the range of 35-70 years of age.

b. Disqualification / Conflicts of interest

1. The Bank's Directors shall be subject to the disqualifications / prohibitions contained in the Companies, Act 2013 and the Banking Regulation Act, 1949 with respect to directorship of companies in general or banking companies in particular.
2. A Director shall not be a director of any other company, or partner or proprietor of a firm, where such directorship, partnership, or proprietorship involves or is likely to involve actual or potential conflicts of interest as a Director of the Bank. A Director shall promptly inform the Board / committee of any actual or potential conflicts of interest with respect to any matter that may come up for the consideration of the Board or of any committee of which he is a member, and shall refrain from participating in a discussion on the matter.

c. Suggested criteria for determining attributes of a director as required to be specified under Companies Act, 2013 include

1. Integrity in personal and professional dealings.
2. Wisdom and ability to take appropriate decisions.
3. Ability to read and understand financial statements
4. Ability to deal with others with a sense of responsibility, firmness, and cooperation.
5. Refrain from any action that would lead to loss of his independence.

d. Suggested criteria for determining Independence of a director

The criteria of independence of a director are determined based on the conditions specified in Section 149 (6) of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The independent director shall at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the circumstances which may affect his status as an independent director, give a declaration that he/ she meets the criteria of independence. The terms and conditions of appointment of Independent Director are disclosed on the website of the Bank and a web link thereto is: <https://www.federalbank.co.in/our-commitments>.

Directors' Report (Contd...)

POLICY ON REMUNERATION

Policy on Remuneration to Non-Executive Directors/ Independent Directors

The Policy of the Bank for the payment of remuneration to Non- Executive Directors / Independent Directors of the Bank is explained in the Comprehensive Compensation Policy for Non- Executive Directors / Independent Directors (other than Part Time Chairman), as approved by the Board of Directors and is disclosed on the website of the Bank and a web link thereto is: <http://www.federalbank.co.in/shareholder-information>.

As required under Banking Regulation Act, 1949 prior approval of RBI is required, to give remuneration to Non-Executive Part Time Chairman of the Board.

As per the Policy, during FY 2020-21, Non-Executive Director/ Independent Directors of the Bank are paid sitting fees for attending Board/ Committees meetings and reimbursement of expenses for participation in Board/Committee meetings and in addition, profit linked commission for FY 2019-20 was also paid during the year. Non- Executive Part Time Chairman was paid remuneration in addition to sitting fees with the approval of RBI.

POLICY ON REMUNERATION TO MD & CEO, EXECUTIVE DIRECTORS, KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES

The Compensation / Remuneration Policy of the Bank as approved by the Board contains the policy for payment of remuneration to MD & CEO, Executive Directors, Key Managerial Personnel and for all the other employees of the Bank.

As per the guidelines given by RBI, Compensation/Remuneration Policy has been designed with the following Core Principles:

Core Principles

1. Effective governance of Compensation.
2. Alignment of Compensation with Prudent Risk Taking.
3. Effective Supervisory Oversight and Stakeholder Engagement.

Compensation of Managing Director & CEO, Whole Time Directors and Material Risk Takers (MRTs)

The compensation paid out to the referred functionaries is divided into two components:

The fixed compensation is determined based on the relevant factors such as industry standards, the exposure, skill sets, talent and qualification attained by the official over his/her career span and adherence to statutory requirements. All the fixed items of

compensation, including the perquisites, will be treated as part of fixed pay. Perquisites that are reimbursable would also be included in the fixed pay so long as there are monetary ceilings on these reimbursements. Contributions towards superannuation/ retiral benefits will also be treated as part of fixed pay. (Approval from RBI to be taken as per section 35B of the Banking Regulation Act while deciding the fixed and variable compensation part for Managing Director & CEO and Whole Time Directors)

The variable compensation for Whole Time Directors, Managing Director & Chief Executive Officer and Material Risk Takers is fixed based on organizational performance (both business-unit and firm-wide) and KPAs set for the official. The organization's performance is charted based on Performance Scorecard which takes into account various financial indicators like revenue earned, cost deployed, profit earned, NPA position and other intangible factors like leadership and employee development. The Score Card provides a mix of Financial and Non-Financial, Quantitative and Qualitative Metrics. The variable pay is paid in the form of share-linked instruments, or a mix of cash and share-linked instruments. While considering/ recommending the variable pay in respect of Managing Director & CEO and Whole Time Directors, serious supervisory observations (if any) shall be factored, which will be ensured through suitable processes.

Risk, Control and Compliance Staff

Members of staff engaged in financial and risk control, including internal audit, are compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the bank. The total fixed and variable compensation paid out to the employees in the Risk Control and Compliance Function is decided independent of business parameters. The mix of fixed and variable compensation for control function personnel is weighted in favour of fixed compensation, to ensure autonomy and independence from business goals.

Other categories of Staff

The compensation package applicable to Executives in Level IV to VII was fixed and governed based on the periodical industry level settlements under IBA pattern. To make the Compensation Structure market driven and competitive, a new performance based compensation package called "Grander Compensation Package" has been introduced for Executives in Level 4 and above with effect from May 01, 2017 which consists of both fixed and variable compensation. The Compensation Package of Executives under Non Grander Compensation Package comprises of fixed compensation (determined based on the relevant factors such as industry standards, the exposure, skill sets, talent and qualification attained by the official over his/her career span)





Directors' Report (Contd...)

and variable compensation (comprising of cash, share-linked instruments, or a mix of both cash and share-linked instruments).

The compensation paid to Award Staff and Officers coming under Scale I to III is fixed based on the periodic industry level settlements with Indian Banks' Association. The present scale of pay and other service conditions applicable to employees, whose compensation package is governed under IBA package is as per provisions of 11th Bipartite Settlement/ Joint note dated November 11, 2020.

Limit on Variable Pay and Deferred compensation

Managing Director & CEO, Whole Time Directors and Material Risk Takers (MRTs): In order to have a proper balance between fixed pay and variable pay, at least 50% of the total compensation would be variable. Deferral arrangements would invariably exist for the variable pay, regardless of the quantum of pay. For such executives of the bank, a minimum of 60% of the total variable pay must invariably be under deferral arrangements. Further, if cash component is part of variable pay, at least 50% of the cash bonus would also be deferred. However, in cases where the cash component of variable pay is under ₹ 25 lakh, deferral requirements would not be necessary. The deferral period would be minimum of three years.

Risk Control and Compliance Staff: At least 25% of the total compensation would be variable and the total variable pay will be limited to a maximum of 100% of the fixed pay (for the relative performance measurement period). Deferral arrangements would invariably exist for the variable pay, if the Variable Pay exceeds 75% of the fixed pay. In such cases a minimum of 60% of the total variable pay must invariably be under deferral arrangements. Further, if cash component is part of variable pay, at least 50% of the cash bonus would also be deferred. However, in cases where the cash component of variable pay is under ₹ 25 lakh, deferral requirements would not be necessary.

Other categories of Staff: The variable pay would be in the form of cash, share-linked instruments, or a mix of both cash and share-linked instruments. The total variable pay will be limited to a maximum of 300% of the fixed pay (for the relative performance measurement period). Deferral arrangements would invariably exist for the variable pay, if the Variable Pay exceeds 200% of the fixed pay. In such cases a minimum of 60% of the total variable pay must invariably be under deferral arrangements. Further, if cash component is part of variable pay, at least 50% of the cash bonus would also be deferred. However, in cases where the cash component of variable pay is under ₹ 25 lakh, deferral requirements would not be necessary.

Severance Pay and Guaranteed Bonus

Severance pay (other than gratuity or terminal entitlements or as entitled by statute) is not paid to any official of the Bank.

Guaranteed Bonus on joining in the form of Cash/equities/ deposits/ bonds/debentures etc. or multiyear guaranteed bonus (like retainer fees) is not paid to any official in the organization. However, to attract talent, sign on bonus or joining bonus can be paid, but this will be limited to the first year only and it will be given as Employee Stock Options only.

Hedging

No compensation scheme or insurance facility would be provided by the Bank to employees to hedge their compensation structure to offset the risk alignment mechanism (deferral pay and claw back arrangements) embedded in their compensation arrangement. Compliance arrangements are in place to ensure that employees do not insure or hedge their compensation structure.

Malus / Claw back arrangement

The variable compensation is covered under Malus / Claw back arrangements in case of all categories of employees. In the event of subdued or negative contributions of the bank and/or the relevant line of business in any year, the deferred compensation will be subjected to:

- Malus arrangement wherein Bank shall withhold vesting of all or part of the amount of deferred remuneration.
- Claw back arrangement wherein the employees shall be liable to return previously paid or vested remuneration to the bank. The deferred compensation, if any, paid to such functionaries shall be subject to Claw back arrangements, which will entail the Bank to recover proportionate amount of variable compensation from such functionaries, on account of an act or decision taken by the official which has brought forth a negative contribution to the Bank at a prospective stage.

The malus and claw back provisions would cover the deferral and retention periods. If an Official covered under these provisions is responsible for any act or omission or non-compliance of regulatory guidelines resulting in a penalty being imposed by any Regulators or engages in a detrimental conduct, the Bank would be entailed to recover proportionate amount of variable compensation from such functionaries within 48 months from the date of payment/vesting of variable compensation. The Bank has put in place appropriate modalities, performance thresholds and detailed framework to cover the trigger points with or invoking malus/claw back, taking into account relevant statutory and regulatory stipulations, as applicable.

Directors' Report (Contd...)

Executive Director (ED) level Committee for reviewing the linkage of Risk based performance with Remuneration

- a. The Committee shall review the Compensation paid vis-a-vis risk taking by the Executives to ensure that prudent risk taking is recognized in the compensation framework
- b. The Committee shall analyse the risk reward correlation and ensure that excess risk taking is not encouraged
- c. The Committee shall review the performance based variable compensation paid every year and ensure that an optimum risk reward balance is maintained.
- d. Linkage of performance during a performance measurement period with levels of remuneration.
- e. Bank's policy on deferral and vesting of variable remuneration and criteria for adjusting deferred remuneration before vesting and after vesting.
- f. The Committee shall establish appropriate compliance arrangements to ensure employees do not insure or hedge their compensation structure.
- g. The Committee shall update the details to the Nomination and Remuneration Committee on an annual basis.

FAMILIARIZATION PROGRAMMES FOR INDEPENDENT DIRECTORS

The familiarising programme for the Independent Directors are disclosed in the Report on Corporate Governance that forms part of this Annual Report. The details of such familiarization programmes are also disclosed on the Bank's website, www.federalbank.co.in under section "Shareholders Information".

BOARD EVALUATION

Pursuant to the provisions of the Companies Act, 2013 and Regulation 17(10) and other applicable Regulations of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, the Board has carried out an annual performance evaluation of its own performance and of the directors individually, as well as the evaluation of the working of its various Committees for the year under consideration.

The evaluation process was initiated by putting in place, a structured questionnaire after taking into consideration inputs received from the Directors, covering various aspects of the Board's functioning, such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance.

Thereafter a separate exercise was carried out to evaluate the performance of individual Directors, including the Chairman of

the Board, who were evaluated on specified parameters. The performance evaluation of the Independent Directors was carried out by the entire Board, other than the Independent Director concerned. The performance evaluation of the Chairman and the Non Independent Directors were carried out by the Independent Directors. The Directors expressed their overall satisfaction with the evaluation process.

1. Performance Evaluation of Independent Directors including Non-Executive Director

Criteria for evaluation include:

- a. Attendance at the Board and Committee meetings
- b. Study of agenda in depth prior to meeting and active participation at the meeting
- c. Contributes to discussions on strategy as opposed to focus only on agenda
- d. Participate constructively and actively in the Committees of the Board in which they are Chairpersons or Members
- e. Exercises his skills and diligence with due and reasonable care and brings an independent judgement to the Board
- f. Knowledge and Competency: i) How the person fares across different competencies as identified for effective functioning of the entity and the Board ii) Whether the person has sufficient understanding and knowledge of the entity and the sector in which it operates
- g. The Director remains abreast of developments affecting the company and external environment in which it operates independent of his being apprised at meetings
- h. Whether person is independent from the entity and the other directors and there are no conflict of interest
- i. Whether the person demonstrates highest level of integrity (including conflict of interest disclosures, maintenance of confidentiality, etc.

2. Performance Evaluation of Chairperson

Criteria for evaluation include:

- a. Works effectively with the Board as a whole
- b. Ability to elicit inputs from all Board Members and steer the discussions to a logical conclusion
- c. Works with the Board and directs the management for creating an effective process for long-range or strategic planning for the Company





Directors' Report (Contd...)

- d. Whether the Chairperson displays efficient leadership, is open-minded, decisive, courteous, displays professionalism, able to coordinate the discussion, etc. and is overall able to steer the meeting effectively
- e. Whether the Chairperson is able to keep shareholders' interest in mind during discussions and decisions
- f. Whether the Chairperson is impartial in conducting discussions, seeking views and dealing with dissent, etc
- g. Handling of critical situations concerning the Bank
- h. Thinks strategically to promote growth, improve financial performance and gain competitive advantage.
- i. Understands financial planning, budgeting and management of the organization's investments and overall organization financial perspective.

3. Performance Evaluation of Non-Independent Directors (MD & CEO and Executive Directors)

Criteria for Evaluation include:

Quantitative Targets:

- a. Achievements of performance against targets set

Qualitative Targets:

- a. Apprises the Board regarding the organization's financial position and operational budget so as to enable the Board to make informed financial decisions
- b. Provides Leadership in developing strategies and organizational plans with the management and the Board of Directors
- c. Ensures that the Board is kept informed about all issues concerning the Bank
- d. Media interaction and ability to project positive image of the Company
- e. Effectively pursues the performance goals in relation to mission and objective of the organization
- f. Motivating employees, providing assistance & directions and supervising & safeguard of confidential information
- g. Establishment of internal control processes, monitoring policies and encouraging suggestions
- h. Cultivates effective Relationship with Industry Foras, Community and business leaders and Regulatory Bodies and Public Officials
- i. Ensures compliance with all legal and regulatory requirements

- j. Undertaking of various Developmental initiatives within the organisation
- k. Compliance with ethical standards & code of conduct and exercising duties diligently

4. Performance Evaluation of Board and Committees

Criteria for Evaluation of Board include:

- a. The Board is of appropriate size and has the appropriate balance and diversity of background, business experience, industry knowledge, skills and expertise in areas vital to the Bank's success, representing sectors laid down by the regulators, given its current and future position
- b. New Board members participate in an orientation program to educate them on the organization, their responsibilities, and the organization's activities, the Board encourages a culture that promotes candid communication
- c. The Board oversees management's procedures for enforcing the organization's code of conduct, Action Taken Reports on the discussion/directions of the Board are submitted at regular intervals to the Board
- d. The Board oversees risk management through inputs from the Risk Management Committee
- e. The Board considers the quality and appropriateness of financial reporting, including the transparency of disclosures
- f. The Board ensures compliance with the relevant provisions of the Companies Act and other regulatory provisions as applicable to the Bank
- g. The Board oversees the compliance processes
- h. The Board views the organization's performance from the competitive perspective - industry and peers performance, industry trends and budget analysis and with reference to areas where significant differences are apparent etc.
- i. The Board ensures compliance with the relevant provisions of the Companies Act and other regulatory provisions as applicable to the Company.
- j. The Board has defined an effective Code of Conduct for the Board and Senior Management.
- k. Whether the Board monitors and manages potential conflicts of interest of management, members of the board of directors and shareholders, including misuse of corporate assets and abuse in related party transactions.

Directors' Report (Contd...)

Criteria for Evaluation of Committees include

- a. The Committee Terms of Reference and composition continue to be appropriate
- b. The mandate, composition and working procedures of Committees of the Board of Directors is clearly defined and disclosed
- c. Committee meetings are organized properly in number, timing and location
- d. The Committee is effective in carrying out its mandate
- e. The Committee members receive adequate material in advance of Committee meetings, in sufficient time and detail to permit members to effectively consider issues to be dealt with
- f. The Committee allocates the right amount of time for its work
- g. Whether the Committee has fulfilled its functions as assigned by the Board and laws as may be applicable
- h. Whether adequate independence of the Committee is ensured from the Board
- i. Whether the Committee's recommendations contribute effectively to decisions of the Board

5. Assessment of Flow of Information

Criteria for evaluation include:

The agenda and related information are circulated in advance of meetings to allow board members sufficient time to study and understand the information, Information on the annual operating plans and budgets and other updates are provided to the Board; Updates on operating results of the Bank is furnished to the Board, periodically etc. Update on the compliance with the regulatory, statutory or listing requirements are placed before the Board.

BUSINESS RESPONSIBILITY REPORT

In July 2011, the Ministry of Corporate Affairs, Government of India, came out with the 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business'. These guidelines contain certain principles that are to be adopted by companies as part of their business practices and require disclosures regarding the steps taken to implement these principles through a structured reporting format, viz. Business Responsibility Report. Pursuant to Regulation 34(2)(f) of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, your Bank has prepared the Business Responsibility Report and forms part of this Annual Report.

TECHNOLOGY AND DIGITAL UPDATES AND MEASURES TAKEN IN IT GOVERNANCE, INFORMATION SECURITY, IT AUDIT, IT OPERATIONS, IT SERVICES OUTSOURCING

Technology and Digital updates

IT provides the strong foundation that enables your Bank to grow extensively and gain market share. In the following paragraphs, we provide more details of the entire governance structure over IT, with focus on information security.

IT governance comprise processes that ensure the effective and efficient use of IT in enabling our organization to achieve its goals. It is an integral part of corporate governance and consists of the organizational structures, leadership and process that ensure IT sustains and extends the organization's strategy and objectives.

The governance of IT is effectively supervised by the Board of Directors through the IT & Operations Sub-Committee of the Board. Besides the Chairman, an Independent Director, the Committee comprises one Independent Director and two Executive Directors. All members of the Committee have extensive experience in IT & Operations and are able to provide effective guidance and direction to the management team.

Executive level committee which oversee the IT governance function include the Operations Risk Management Committee (ORMC), the Information Security Committee (ISC) and the Project Steering Committee (PSC).

Your Bank has a well-defined Information System Security Policy and a Cyber Security Policy. The effective implementation of these policies is supervised by the Information Security Committee and by the IT & Operations Committee of the Board.

In recognition of the need for enhanced systems security, your Bank conducts a wide range of system audits, using internal and external auditors. These range from the quarterly Vulnerability Assessments (VA) and Penetration Testing (PT) to concurrent audits to an annual end to end audit of IT infrastructure. All the applications, both web based and mobile based apps exposed to internet are subjected to external penetration testing (PT) before releasing to use.

Bank has deployed best in class infrastructure to provide availability of service to users and customers without fail. The installed infrastructure is tested for its reliability and robustness by periodic audits. In addition, periodic Disaster Recovery Tests





Directors' Report (Contd...)

are conducted to ensure the ability to move to the Disaster Recovery infrastructure in the event of downtime in the main production capability.

More details on digital initiatives of the Bank are available in the Management Discussion and Analysis Report, forming part of this Annual Report.

PARTICULARS OF EMPLOYEES

In terms of Section 136 of the Companies Act, 2013, the copy of the financial statements of the Bank, including the consolidated financial statements, the Auditor's Report and relevant annexures to the said financial statements and reports are being sent to the Members and other persons entitled thereto, excluding the information in respect of the employees of the Bank containing the particulars as specified in Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. The statement containing particulars of employees as required under Section 197(12) of the Act read with Rule 5 (2) of the said Rules is available on the website: <https://www.federalbank.co.in/shareholder-information>.

The ratio of the remuneration of each Director to the median remuneration of the employees of the Bank and other details in terms of Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are forming part of this report as **Annexure IV**.

DIRECTOR'S RESPONSIBILITY STATEMENT

To the best of our knowledge and belief and according to the information and explanations obtained to us, the Directors make the following statements in terms of Section 134 (3) (c) of the Companies Act, 2013:

1. that in the preparation of the annual financial statements for the year ended March 31, 2021, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
2. that such accounting policies as mentioned in the Notes to the Financial Statements have been selected and applied consistently and judgment and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank as at March 31, 2021 and of the profit of the Bank for the year ended on that date.
3. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for

safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities;

4. that the annual financial statements have been prepared on a going concern basis;
5. that proper internal financial controls were in place and that the financial controls were adequate and were operating effectively;
6. that systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

AWARDS AND ACCOLADES

Your Bank has won various awards and accolades in the Financial Year 2020-21. Technology and digital have taken centre stage and your Bank continues to focus on innovation with customer convenience. The awards are a testimony to the Bank's commitment on the digital front with various initiatives which brought in acclaim from various stakeholders.

Your Bank's MD & CEO, Shyam Srinivasan, was conferred with the title '**Business Standard Banker of the year**'. Through his able leadership, your Bank has transitioned into an organisation that regularly punches above its weight.

Your Bank has been declared winner in the '**Private Sector Bank of the Year**' Gold category at the 20th edition of Outlook Money Awards.

Your Bank emerged winner of **Business Today – KPMG Best Bank award** in the category "Indian Bank with balance sheet above ₹ 1 Trillion and below ₹ 3 Trillion" for the year 2019-20.

On the HR front, your Bank has been recognized as a 'Great Place to Work' in a study conducted by the **Great Place to Work®** Institute. Great Place to Work® Institute works with companies around the world to build a High-Trust, High-Performance Culture that drives better business performance.

Your Bank was declared winner among medium sized banks for the **Most Innovative Project** and runner up in the categories '**Best IT & Cyber Security Initiatives**' and '**Best Technology Bank of the Year**' by Indian Banks' Association at its National Technology Awards.

Your Bank was recognized **winner** at Infosys Finacle Client Innovation Awards program, in the category "**Customer Journey Reimagination**" and was recognized runner up in the category "**Product Innovation**".

Directors' Report (Contd...)

Your Bank won 'SKOCH Award' for Silver Category in BFSI in recognition of the versatility and excellence of FedMobile App. The Bank was adjudged by State Forum of Bankers Clubs, Kerala as the 'Best Bank Among Old Private Sector Banks of the Country.'

Your Bank won the prestigious 'Finnoviti Award 2021' instituted by Banking Frontiers for the Artificial Intelligence based Digital Leading Platform by creating new benchmarks in the entire BFSI & Financial ecosystem.

ACKNOWLEDGEMENT

The Board of Directors places on record its sincere thanks to the Government of India, Reserve Bank of India, various State Governments and regulatory authorities in India and overseas for their valuable guidance, support and cooperation. The Directors wish to express their gratitude to Investment Banks, Rating Agencies and Stock Exchanges for their support. The Directors record their sincere gratitude to the Bank's shareholders, esteemed customers and all other well-wishers for their continued patronage. The Directors express their appreciation for the contribution made by every employee of the Bank.

For and on behalf of the Board of Directors

Sd/-

Grace Koshie

(DIN-06765216)

Chairperson of the Board

Date: June 16, 2021

Place: Aluva

